

# INTERNET MARKETING BENEFITS FOR SOUTH AFRICAN SME OWNER-MANAGERS

N. DLODLO AND C. MAFINI

## Abstract

With the recent explosion of global marketing strategies, business enterprises have to contend with severe and escalating competition. To sustain competitiveness, small and medium enterprises (SMEs) in South Africa should produce high-quality, customised goods and services efficiently. Adoption of Internet marketing technologies is fundamental towards meeting this challenge. However, the adoption and diffusion of technologies in marketing practices is the outcome of purposeful processes emanating from the realisation by SMEs that adoption of these technologies yields significant paybacks. The purpose of this study was to establish the managers' perceptions of the benefits of Internet marketing adoption in small and medium enterprises. Using a quantitative approach, a questionnaire was administered to owner-managers of small and medium enterprises in the Vaal Triangle in South Africa. A total of 269 questionnaires were completed, returned and considered useful for the survey. Data were analysed using descriptive statistics and factor analysis in order to establish the factors considered to be the salient Internet marketing benefits. Four underlying factors were extracted namely: customer relationship building, information gathering, promotion and enhanced productivity. The mean scores indicated that information gathering was perceived as most important, but after sturdier tests for association were applied to the data set, customer relationship management demonstrated the most significant and positive correlation with SME productivity. As such, there is need for the small and medium enterprises to develop strategies to expand and sustain the identified benefits of Internet marketing.

## Keywords:

Internet marketing, small and medium enterprises, adoption, owner-manager, South Africa

## 1. INTRODUCTION

The increased use of the Internet has triggered a phenomenal metamorphosis in the way in which business is conducted globally. For small and medium enterprises (SMEs) the Internet is providing a rare opportunity to move businesses beyond the constraints of their traditional distribution channels and create a global virtual community that levels the playing field between SMEs and large businesses (Kiang and Chi, 2001). The Internet, defined as a global information system connecting computers or networks, is able to support different forms of communications, such as e-mail, e-commerce, the World Wide Web (WWW), online video conferencing and voice conferencing (FNC, 1995).

Tseng and Johnsen (2011) suggest that the emergence of the Internet has presented businesses, both small and large, with an opportunity to enhance revenue generation.

The Internet, accessed on mobile phones (Van Biljon, 2006) and personal digital assistants, increases the availability, speed and frequency of communication (Scharl, Dickinger and Murphy, 2005). The customer's role changes from that of a buyer or recipient of a particular service to that of co-producer (Kalaiganam, Kushwaha and Varadarajan, 2008). Internet-mediated interfaces foster relationship development and trust building based on reciprocity (Tseng and Johnsen, 2011). The Internet is undeniably a critical domain for the development of successful interactions between SMEs and their customers.

The Internet Marketing Association (IMA) defines Internet marketing as the use of electronic data and applications for planning and executing the conception, distribution, promotion and pricing of ideas, goods and services to create exchanges that satisfy individual and organisational objectives (Gohary, 2007; Burgess and Bothma, 2007). Hongyu and Dongmei (2011:6505) further defined Internet marketing as a “new way of marketing that is based on the Internet through the use of digital information and online media, with a view to creating, disseminating and transferring customer value”. Internet technology is applied among all kinds of actors: among consumers, among businesses and between businesses and consumers, Electronic marketing, therefore, enables marketers to reach more customers and potentially increase their total share of the market (Lee and Cheung, 2004).

## **2. BENEFITS PRESENTED BY THE ADOPTION OF INTERNET MARKETING**

Internet marketing has been instrumental towards enabling small firms to internationalise rapidly and capture the advantages associated with exchanging information across geographic boundaries. SMEs that operate in niche markets (specialised or unique products and services) may be able to reach a wider and more geographically dispersed customer base through the use of Internet marketing (Lee and Cheung, 2004). Drew (2003) hinted at flexible pricing coupled with the relatively low entry and establishment costs for marketers getting into Internet marketing as another important reason for considering the Internet as a suitable marketing channel for SMEs.

Melewar and Smith (2003) posited that the Internet may influence the behaviour of SMEs in a number of areas, such as the ability to identify and evaluate international competitors and develop networks of contacts and partners in foreign markets. The authors further suggest that the Internet enables marketing firms to communicate and gather information on both customers and suppliers in the most cost-efficient manner possible.

Chaffey and Smith (2005) noted that the adoption of Internet marketing enables businesses to promote their products and services to the public through pay-per-click advertisements, banner advertisements, search engine optimisation and mobile phone competitions. Dart (2002) added that Internet marketing also empowers the marketer to track and monitor the performance of promotional campaigns and other marketing activities. This gives the business the ability to determine the potential return on investment (ROI) of any strategies that may have been implemented (Kendall, Tung, Chua, Dennis and Tan, 2001). Standing and Stockdale (2003) contend that the Internet medium also enables businesses to differentiate their products and services from those of competitors while operating within the same marketplace. The online platform further facilitates the tracking of orders and also ensures that products are distributed within the shortest possible time (Chong, Shafaghi and Tan, 2011).

Stansfield and Grant (2003) pointed out that successful adopters of Internet marketing often view the technology as contributing towards communication between stakeholders, increased sales, improved company image and improved response to customer enquiries. Online websites are available all the time, thereby offering the convenience of conducting business transactions from anywhere in the world (Simpson and Docherty, 2004). The Internet can therefore be a critical factor in the enhancement of a firm's market reach and operational efficiency (Dholakia and Kshetri, 2004; De Klerk and Kroon, 2005).

### **3. IMPORTANCE OF THE SME SECTOR**

SMEs are the lifeblood of modern economies (Rao, Metts and Monge, 2003), creating far more jobs than are created by large businesses (Soontiens, 2002) and making a significant contribution to global economic growth (Jutla, Bodorick and Dhaliwal, 2002). By the year 2010, it was estimated that medium enterprises in the SME sector in South Africa contributed 51 percent to the GDP, while small businesses contributed 13 percent (Tassiopoulos, 2010). The enterprises in this sector tend to differ from large enterprises in that they stimulate competition, bring about a diversity of products and services, have increased flexibility in their internal and external systems and possess a hands-on managerial style which facilitates faster decision-making (Kendall et al., 2001). These elements imply that the adoption of Internet marketing strategies can go a long way in enhancing awareness of the SME sector in the global economy.

### **4. PROBLEM STATEMENT**

The purpose of this study was to examine the benefits of Internet marketing adoption to SMEs in the Vaal Triangle area in Southern Gauteng, South Africa.

The importance of the Internet as a tool to support communication by SMEs in business networks is widely accepted and has seen growing interest as a subject of investigation in entrepreneurship research (Loane, 2005). While previous research has identified common problems in Internet marketing strategies, including the failure to classify product characteristics and inappropriate channel selection, pricing and promotion strategies (Larson, 1998), SMEs require a clear understanding of the realisable benefits of innovative technologies to foster the adoption process. In short, there is scope for expanding the existing literature to include studies conducted in the South African context.

The research area of SME Internet marketing adoption is still in its infancy, with a majority of the studies having been conducted in western countries (Chong et al., 2011). Moreover, the literature to date on electronic marketing benefits is largely anecdotal. Internet marketing and e-commerce studies, such as those of Elliot and Boshoff (2007) and De Klerk and Kroon (2005), have attracted a profusion of articles in South Africa, but there has been a paucity of research into the salient benefits of the utilisation of Internet marketing by SME owner-managers. The current investigation into the benefits of electronic marketing adoption in the Vaal Triangle is therefore timely. It also serves to complement previous research on similar issues in this country and elsewhere.

It is noteworthy that the benefits of Internet marketing have been realised in developed countries such as New Zealand (Ramsey and McCole, 2005) and Australia (Berril, Goode and Hart, 2004), as well as in developing nations such as Chile (Grandon and Pearson, 2003), China (Morgan, Lawley and Spinks, 2006) and Malaysia (Mukti, 2000). This study sought to establish the extent of the similarities or dissimilarities in the benefits exploited by South African SMEs and those encountered by their international counterparts.

## **5. RESEARCH METHODOLOGY**

A quantitative approach using the purposive sampling technique was used to collect primary data. In a purposive sample, the sample elements are selected because it is expected that they can serve the research purpose (Churchill and Iacobucci, 2002). Sample elements that are representative of the entire population are pivotal for making generalisations about the total population of interest (Welman and Kruger, 1999). Internet marketing adopters were purposively selected because it was believed that they could make useful contributions to the research questions.

### *Item generation and measuring instrument*

A questionnaire was developed and administered to a sample of 368 owner-managers, SME proprietors, IT personnel and Heads of Marketing Departments in the Vaal Triangle area of Gauteng, South Africa.

The sampling frame was obtained from the Gauteng Enterprise Propeller (GEP), a government agency located within the Vaal Triangle. This organisation provides a wide range of business development services to SMEs and was able to supply an updated list of businesses with their contact details. Three stages were used in the generation of the variables and factors to be included in the compilation of the scale. First, an analysis was undertaken of previous studies on electronic commerce adoption and acceptance among individuals and firms with a view to establishing consistently supported factors that influence Internet marketing adoption. Different scales were incorporated in generating the items and selecting the measuring instrument to be used for the study. For example, Grandon and Pearson's e-commerce adoption scale (2003) was adapted and used to collect primary data based on a small business sample. Other scales previously used by Dholakia and Kshetri (2004) and Stansfield and Grant (2003) were also considered useful for generating items to be included within the context of the current study. Second, in an effort to check the content validity of the questionnaire, pre-testing was conducted with a conveniently selected sample of five academics in the marketing and ICT disciplines. The pretest also served to determine the anticipated completion time of the questionnaire. Finally, a pilot study was conducted prior to the main survey using a conveniently selected sample of 50 SME managers located in the Vaal Triangle. Based on feedback from the pilot study, minor revisions were made to the questionnaire. This helped to confirm that the questionnaire used in the main study would validly capture the information sought by the researchers. A survey method was employed as it allows easier administration of accurate data (Welman and Kruger, 1999). Data were collected with the assistance of three trained fieldworkers.

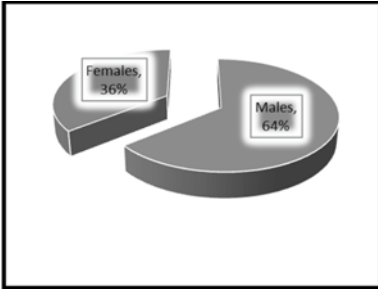
The questionnaire was divided into three sections. Section A elicited demographic information from the SME owner-managers while Section B sought information on the profile of the businesses under survey. Section C requested information on SME owner-managers' views on the benefits of Internet marketing to SMEs. The items in section C were scored on a 7-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). An accompanying letter was attached to the questionnaire to highlight the purpose of the study.

Various ethical considerations, such as participants' right to anonymity, confidentiality, privacy, non-participation, informed consent and protection from discomfort, harm and victimisation, were adhered to in the administration of the questionnaire. Of the 368 questionnaires administered, 301 were completed and 269 were considered usable for the study, giving a response rate of 73%.

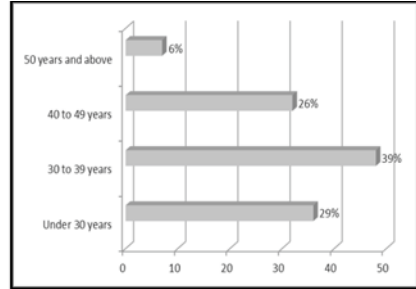
## 6. EMPIRICAL RESULTS

### *Demographic characteristics of respondents*

The demographic characteristics of respondents are presented in Figures 1 and 2. A majority of the respondents were males (64 %; n=172), which is representative of the current demographics male domination of in managerial positions and ownership of SMEs in South Africa. In addition, a majority of the business managers who took part in the survey were in the 30–39 years age cohort (39%; n=105).



**FIGURE1: Respondents' gender**



**FIGURE2: Respondents' age**

### *Profile of SME businesses*

The characteristics of the SMEs used in the study (Table 1) indicate that 72% (n=195) of the businesses were classified as small enterprises and 28% (n=74) as medium-sized enterprises. This classification was based on the number of employees and the annual turnover of each business, with small businesses having a staff complement of fewer than 50 full-time employees and operating on an annual turnover of less than R8 million. The medium-sized businesses have between 51 and 200 employees and an annual turnover of at least R8 million. These segmentation criteria are in line with the research of Cronje, Du Toit and Motlatla (2004) and the Department of Trade and Industry (2005).

**Table 1: Characteristics of SMEs**

<i>Type of business</i>	<i>Turnover per annum (ZAR)</i>	<i>Number of employees</i>	<i>N</i>	<i>%</i>
Small	< 8million	0-50	195	72
Medium	≥ 8million	51-200	74	28
	TOTAL		269	100

## Exploratory factor analysis

To determine whether the data were suitable for factor analysis, Bartlett's test of Sphericity and the Keiser-Meyer-Olkin (KMO) measure of sampling adequacy were conducted. The approximate chi-square for the data set was 796.752 with 91 degrees of freedom: Sig= 0.000 and a KMO value of 0.679, which indicated that the sample data were sufficient for conducting factor analysis. Varimax rotation was applied in order to purify the data and also improve the degree to which the factors could be interpreted.

The eigen value criterion (accept all factors with eigen values greater than 1) guided the extraction of factors. In accordance with the suggestion of Churchill, Ford and Walker (1974) that items that load heavily on more than one factor should be eliminated from further scale development, four items were eliminated because of cross-loadings, as this suggests that the item may be incapable of differentiating between factors (low discriminant validity). Factor loadings >0.40 were retained and only the items with high communalities were retained under each factor. Furthermore, unidimensionality of the internet marketing sub-scales was measured, thus producing item-total correlations which were all above the threshold of 0.30, guaranteeing the internal convergence validity of the measurement, as suggested by Bagozzi and Yi (1988).

**Table 2: highlights the rotated factor component matrix for the study.**

VARIABLE	COMPONENT FACTORS			
	FACTOR 1	FACTOR 2	FACTOR 3	FACTOR 4
E-marketing enables the business to increase brand awareness	.136	.119	<b>.822</b>	.009
E-marketing enables the business to enhance its corporate image	.123	.100	<b>.856</b>	.104
E-marketing enables the business to track and assess the effectiveness of its promotional campaigns	.155	.050	<b>.635</b>	.189
E-marketing enables the business to gather information on products	.021	<b>.738</b>	-.048	.220
E-marketing enables the business to gather information on markets	.163	<b>.792</b>	.207	.034
E-marketing enables the business to gather information on suppliers	.079	<b>.537</b>	.336	-.004
E-marketing enables the business to gather information on competitors	.117	<b>.551</b>	.178	.228
E-marketing enables the business to be conducted from anywhere in the world	-.161	<b>.474</b>	.044	.220
E-marketing enables the business to eliminate the cost of intermediaries	<b>.770</b>	.156	.354	-.029
E-marketing enables the business to benefit from increased loyalty	<b>.822</b>	.149	.007	.082
E-marketing enables the organisation to acquire solid business relationships	<b>.655</b>	.066	.271	.128
E-marketing enables the organisation to retain already existing customers	<b>.591</b>	.301	.026	.098
E-marketing enables the business to improve on customer response time	.064	.045	.235	<b>.546</b>
E-marketing enables the business to gain competitive advantage	.109	.150	.038	<b>.839</b>
E-marketing enables improved productivity of the SME managers	.003	.213	-.194	<b>.687</b>

\* Loadings of 0.40 and more were considered significant.

As recommended by Aldaigan and Buttle (2005), item and scale reduction were carried out; all items with low factor loadings and low item-total correlations were subjected to successive examinations until an acceptable factor structure was attained. The process eventually yielded four factors that accounted for 62% of the variance. Malhotra (2007) recommends that the factors extracted should account for at least 60 percent of the total variance. Table 3 depicts the specific factor descriptors in the current study.

**Table 3: Factor descriptors**

	<b>FACTOR 1 Customer relationship building</b>	<b>FACTOR 2 Information gathering</b>	<b>FACTOR 3 Promotion</b>	<b>FACTOR 4 Enhanced productivity</b>
<b>Cronbach Alpha</b>	0.726	0.685	0.736	0.795
<b>Eigen values</b>	3.198	2.214	1.645	1.165
<b>Percentage of variance</b>	16.9	15.6	15.4	13.8
<b>Cumulative percentage of variance</b>	16.9	32.5	47.9	61.7

The Cronbach alpha values ranged from 0.685 to 0.795. Nunnally (1978) prescribed that, for any proposed dimension to be accepted, the minimum coefficient alpha value should be 0.7. In the current study, one factor; namely information gathering, attained an alpha value of 0.685, which fell below the recommended value of 0.7. However, Kim and Kim (1995) suggested that coefficient alpha values of 0.5 to 0.6 are sufficient to conclude that the extracted dimensions are reliable. In support, Hair, Black, Babin, Anderson, Tatham and Black (2010:385) argued that factor loadings greater than  $\pm 0.3$  may be considered adequate, while loadings greater than  $\pm 0.4$  may be considered important and those greater than  $\pm 0.5$ , more important. Therefore, owing to the explanatory nature of the study, the information gathering factor was retained. The dimensional descriptors of the extracted factors are presented in Table 4.



**Table 4: Dimensions of Internet marketing benefits**

Position in rank order (highest to lowest)	Factor	Mean scores ( $\bar{x}$ )	Inter-item correlations	Number of items
1	Information gathering	5.979	0.303	5
2	Promotion	5.924	0.480	3
3	Enhanced productivity	5.650	0.329	3
4	Customer relationship building	5.051	0.401	4

## 7. DISCUSSION OF THE RESULTS

The first dimension, labelled customer relationship building, was composed of four items and accounted for 16.9% of the variance. In the context of the current study this factor encompasses the extent to which sustainable relationships are established between a business and its strategic constituencies. The customer relationship building factor was placed fourth on the mean score rankings ( $x = 5.051$ ). This finding suggests that the owner-managers perceived only insignificant advantages to customer relationship building through the adoption of Internet marketing, as opposed to the strong support which has been established in previous studies (Kalaignanam et al., 2008; Ching and Ellis, 2006). These scholars found that Internet marketing empowers organisations with a continuous free flow of information between large numbers of potential exchange partners. This logically provides opportunities for relationships among stakeholders. In the same vein, self-service and elimination of intermediary costs (Sharma, 2002), as well as repeated online engagement between exchange partners, will improve customer loyalty (Sophonthummapharn, 2008), customer repurchase intentions (Chang and Cheung, 2001) and customer satisfaction (Varadarajan and Yadav, 2009). Mutually beneficial relationships based on commitment and trust will inevitably develop (Tseng and Johnsen, 2011; Patten, 2002).

The findings of the current study affirm the need to increase awareness of the gains to be realised by SME managers through Internet marketing. A possibility exists that most SMEs have not yet begun to exploit this benefit to the maximum, despite the existence of great potential in this area. It follows, then, that most of the standard prescriptions of relationship marketing are also applicable to online settings. Therefore, SMEs should fully exploit the interactivity features of the Internet in order to pursue trustworthy relational exchanges with both clients and suppliers (Palmer, Ellinger, Allaway and D'Souza, 2012).

Factor number two, labelled information gathering, was composed of five items and accounted for 15.6% of the variance. It is interesting to note that information gathering was considered the most significant benefit by SME managers operating within the Vaal Triangle, as evidenced by its first place on the mean score rankings ( $x = 5.979$ ).

Internet marketing has been used to gather information on various important strategic constituencies, as well as on developments in the operational environment (Palmer et al., 2012; Dholakia and Kshetri, 2004). Simpson and Docherty (2004) point out that the adoption of Internet marketing technologies enables SMEs to deliver critical information to their internal stakeholders (employees), as well as external parties (suppliers, distributors and customers) through platforms such as mailing lists, newsgroups and chat rooms. Loane (2005) observed further that small businesses that use Internet platforms are better equipped to analyse product innovations, industry trends, changing customer tastes and preferences, as well as competitor and supplier activities. These findings indicate that the most significant benefit of Internet marketing has been information access (Sharma, 2002).

Factor 3, labelled promotion, was composed of three items and accounted for 15.4% of the variance. This factor describes the role of Internet marketing as a promotional tool through the enhancement of SME brand awareness on both the local and the international fronts (Dholakia and Kshetri, 2004), the differentiation of supplier's products from those of competitors (Standing and Stockdale 2003) and the ability to deliver customer convenience that is restricted neither by time nor space (Palmer et al., 2012; De Klerk and Kroon, 2005). It is also a useful tool for the evaluation of the effectiveness of SME marketing campaigns (Kalaiganam et al., 2008; Dart, 2002). In the current study, the promotion factor was ranked second in the mean scores of the four factors ( $x = 5.924$ ). This finding hints at the extent to which SME owner-managers are passive users of the Internet as a promotional platform within their businesses and accords with the suggestion of Hongyu and Dongmei (2011) that the systematic adoption of online promotion in conjunction with offline promotional tools within the firm's overall marketing strategy could help to build a consistent brand image. Web-based promotion has also proved to be a dominant SME approach for reaching target markets (Beheshti and Sangari, 2007). It leads the way as a promotional medium, owing to the inherent interactivity features that are non-existent on offline promotional platforms (Varadarajan and Yadav, 2009). Additionally, Palmer et al. (2012) emphasised that pressure from consumers has mandated that SMEs pay considerable attention to web-based promotional tools, such as social networking sites. This implies, then, that websites and other web-based tools derived from third-generation web application (Web 3.0), such as Facebook, Twitter and YouTube, may be systematically adopted by various SMEs for promotional purposes.

Factor 4, labelled enhanced productivity, was composed of three items and accounted for 13.3% of the variance. This factor describes how business productivity may be improved through the adoption of Internet marketing programmes. With a mean of  $x = 5.650$ , the enhanced productivity factor was placed third on the mean score rankings. This signifies that SME owner-managers concurred that Internet marketing enhances the productivity of their businesses.

This finding is in agreement with previous research. For instance, Riquelme (2002) found that the adoption of Internet marketing strategies brought about a reduction in lead time. De Klerk and Kroon (2005) are of the opinion that the adoption of Internet marketing strategies leads to spatial effectiveness through the development of a global marketplace. This ultimately results in the reduction of the operating costs of the business, coupled with disintermediation (Mutula, 2002; Riquelme, 2002). Furthermore, Internet marketing is an antecedent to enhanced productivity of SME managers (Chaston and Mangles, 2003), as well as increased market share and earnings growth rate (Varadarajan and Yadav, 2009). Therefore, the adoption of Internet marketing acts as a stimulus to business, leading to the potential enhancement of competitive advantage and overall productivity.

In order to examine the convergent validity and level of association that exists among the factors, Pearson correlation coefficients among the four factors were computed. The strength of the association among the four dimensions was measured against a pre-established rule of thumb, which states that values ranging from 0.10 to 0.29 indicate weak relationship strength, those between 0.30 and 0.49 indicate moderate relationship strength while those of 0.50 and above signify strong and very important relationships (Malhotra, 2007; Suki (2011)). The results are reported in Table 5.

**Table 5: Inter-factor correlation analysis**

Internet marketing benefits	Information gathering	Customer relationship building	Promotion	Enhanced productivity
Information gathering	1.000	.191**	.417*	.536*
Customer relationship building		1.000	.240**	.443**
Promotion			1.000	.184**
Enhanced productivity				1.000
Mean scores	5.979	5.051	5.924	5.650
Standard deviation	.648	.700	.791	.805
* Correlation is significant at the 0.05 level ** Correlation is significant at the 0.01 level				

An initial examination of the correlation results revealed that there were only positive associations among the four factors at both the  $p < 0.05$  and  $p < 0.01$  levels, indicating a high level of statistical significance in the association among the identified Internet marketing benefits. Weak correlations were found when correlating the dimension of information gathering with customer relationship building ( $r = 0.191$ ;  $N = 269$ ;  $p < 0.01$ ) and also between promotion and customer relationship building ( $r = 0.240$ ;  $N = 269$ ;  $p < 0.01$ ).

Moreover, a weak but statistically significant relationship was established between enhanced productivity and promotion of SMEs ( $r=0.184$ ;  $N=269$ ;  $p<0.05$ ). This may be an indicator that passive adoption of Internet marketing by SMEs for promotional activities, such as brand awareness campaigns, has very weak implications for the overall productivity of the business (De Klerk and Kroon, 2005).

Moderate correlation coefficients were established between information gathering and promotion ( $r=0.417$ ;  $N=269$ ;  $p<0.05$ ). This suggests that SMEs can derive significant benefits from Internet marketing, such as the ability to gather information about stakeholders and the development of innovative online promotional campaigns (Palmer et al., 2012).

The correlation analysis between the enhanced productivity dimension and customer relationship building ( $r=0.443$ ;  $N=269$ ;  $p<0.01$ ) indicates that there is a positive and moderate relationship between the development of sustainable customer relationships and the improvement of productivity within the company through the implementation of Internet marketing. Strong and statistically significant correlations were established between the dimensions of enhanced productivity and information gathering ( $r=0.536$ ;  $N=269$ ;  $p<0.05$ ). This relationship provides ample validity to support the notion that adopting the Internet domain for building customer relationships (Varadarajan and Yadav, 2009), as well as gathering information about various publics (Dholakia and Kshetri, 2004), is positively associated with overall SME productivity.

## **8. STRENGTHS, LIMITATIONS, AND IMPLICATIONS FOR FURTHER RESEARCH**

The strength of the current study lies in its use of a purposive sample which ensured that data were collected from respondents who were directly experiencing the phenomenon being researched (Sooful, Surujlal and Dhurup, 2010). Furthermore, the reliability, discriminant validity and convergent validity of the findings were verified using Cronbach Alpha values, factor analysis and correlations analysis, respectively. However, the study is limited in that its results are restricted to a single geographical location, i.e. one region from where the data were collected, and the limited sample size of 269 SME owner-managers.

The generalisability of the results to other locations and sample sizes may be contested as the results may not be relevant to other SME contexts both within and beyond South Africa. This further implies that there remains a need for similar studies to be conducted in different settings at both provincial and/or national level in South Africa and beyond. Furthermore, replications of this study among SMEs that operate in different industry sectors, are welcome. This would help to present more novel findings. The benefits of Internet marketing to large enterprises in South Africa may also be examined.

This would help to provide an effective benchmarking platform for SMEs with regard to Internet marketing. Given the perceived pivotal significance of information gathering, customer relationship building, promotion and enhanced productivity in SME development, the nature of the possible relationships that exist among these dimensions should be further examined for the possible development of a framework of Internet marketing benefits that explains causality and differences among the factors. Other dimensions, such as the post-adoption challenges faced by managers of SMEs and the perceived value of using social networking sites (SNS) for marketing purposes, may also be drawn into the Internet marketing technology equation.

## **9. MANAGERIAL IMPLICATIONS**

The development of a sustainable and competitive SME firm depends on the adoption and implementation of innovative practices such as Internet marketing. For the full realisation of the benefits of Internet marketing practices, appropriate government infrastructure, policy and networks need to be in place. For example, the government, through its various arms such as KULA and GEP, should collaborate and seek to promote information sharing and capacity building among South African SMEs. South African managers of small and medium enterprises are further encouraged to benchmark their current marketing practices with those of international players if they are to attain competitive advantage.

The dimensions identified will enable SME owner-managers to develop strategies proactively and systematically in alignment with online-based platforms that expedite the realisation of these benefits of Internet marketing. SME owner-managers are likely to reconsider the use of traditional marketing platforms, especially because the adoption of such platforms in isolation may not necessarily lead to enhanced productivity.

## **10. CONCLUSION**

This study examined the benefits of Internet marketing to businesses within the SME sector. According to Beheshti and Sangari (2007), Internet marketing allows SMEs to accomplish their business objectives, leading to enhanced productivity outcomes. The findings of the study have indicated that the adoption of Internet marketing by SMEs can lead to the realisation of significant benefits in four areas, namely customer relationship building, information gathering, productivity and enhanced productivity. Moreover, the correlation results indicate that positive and significant relationships exist between productivity and information gathering, customer relationship building and promotion, in that order.

This is congruent with the mean score rankings, which revealed that the adoption of Internet marketing for environmental scanning and the gathering of information on important strategic constituencies is the source of the most important Internet marketing benefits to South African SMEs. This is because online technology is an automated means of collecting and analysing data. Thus, the strategic adoption of Internet marketing by South African SMEs has become a necessary and relevant condition for flourishing during the Internet millennium.

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